

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Cotton and Products Update June 2018

Report Categories:

Cotton and Products

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Report Highlights:

FAS India forecasts MY 2018/19 cotton production at 28.7 million 480 lb. bales on 11.85 million hectares. Erratic rains have delayed planting, but weather forecasts indicate the monsoon will advance through the first half of July and hasten planting. The Indian currency weakened to its lowest level in the past decade and, as a result, cotton and cotton product exports have been stronger than estimated.

Production, Supply and Demand Data Statistics :

Cotton	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	-	-	-	-	-	-
Area Harvested	10,850	10,850	12,300	12,444	11,800	11,850
Beginning Stocks	9,944	9,944	11,130	11,165	12,480	12,965
Production	27,000	27,000	28,500	29,000	28,500	28,700
Imports	2,736	2,736	1,800	1,700	1,500	1,600
MY Imports from U.S.	-	-	-	-	-	-
Total Supply	39,680	39,680	41,430	41,865	42,480	43,265
Exports	4,550	4,515	4,750	4,900	4,250	4,200
Use	24,000	24,000	24,200	24,000	25,200	25,000
Loss	-	-	-	-	-	-
Total Dom. Cons.	24,000	24,000	24,200	24,000	25,200	25,000
Ending Stocks	11,130	11,165	12,480	12,965	13,030	14,065
Total Distribution	39,680	39,680	41,430	41,865	42,480	43,265
Stock to Use %	39	39	43	45	44	48
Yield	542	542	504	507	526	527
(1000 HA) ,1000 480 lb. Bales ,(PERCENT) ,(KG/HA)						

Production:

Intermittent Rains Slow Down Planting

FAS India forecasts cotton planting for MY 2018/19 will be on 11.85 million hectares. The FAS India forecast is 50,000 hectares higher than the official USDA estimate as planting in central India (i.e., Gujarat and Maharashtra) is expected higher. In addition, trade sources report a much higher Minimum Support Price (MSP) for cotton is expected and this will likely affect sowing decisions in the coming weeks.

Farmers in the State of Gujarat indicate a strong willingness to plant cotton as the main competing crop, groundnut, was not as profitable. According to data from the Indian Meteorological Department (IMD), the cumulative rainfall in the Saurashtra and the Kutch region of Gujarat during the Southwest Monsoon (July to September) to date has been 12.9 mm against a normal average of 92.6 mm. The low-level of soil moisture is prompting farmers to delay planting in Gujarat. Additionally, Government of India advisories have encouraged farmers adopt inter-cropping of cotton with sesame, groundnut, pulses, soybeans, and maize to manage income risk. Additionally, farmers are being advised to plant refugia cotton (non-Bt) seeds with Bt cotton to prevent bollworm resistance.

Cotton planting is expected to hasten in Maharashtra as excess moisture in Marathwada (27 percent

higher than normal rains) and Vidarbha (11 percent higher than normal rains) will prompt farmers to plant greater area with cotton. Additionally, farmers indicate land is being prepared for sowing of tur dal (pigeon pea) and soybeans.

According to the Ministry of Agriculture and Farmers Welfare (MOAFW), as of June 29, 2018, cotton planted area has reached 3.22 million hectares compared to 4.61 million hectares in MY 2017/18.

Planted area is 30 percent lower than last year and 29 percent lower than the 5-year average of 4.56 million hectares (refer table 1). Planting in Northern India is 6 percent lower than last year.

FAS India revised the MY 2017/18 area estimate upwards to 12.44 million hectares based on provisional estimates released by the Cotton Advisory Board (CAB) on June 16, 2018.

Monsoon Progressing towards Central and Northern India

The Southwest Monsoon is progressing towards Gujarat and the states of Punjab, Haryana, and Rajasthan. According to the IMD forecast through July 11, the Southwest Monsoon should advance into Gujarat and Rajasthan and cover the entire country by mid-July.

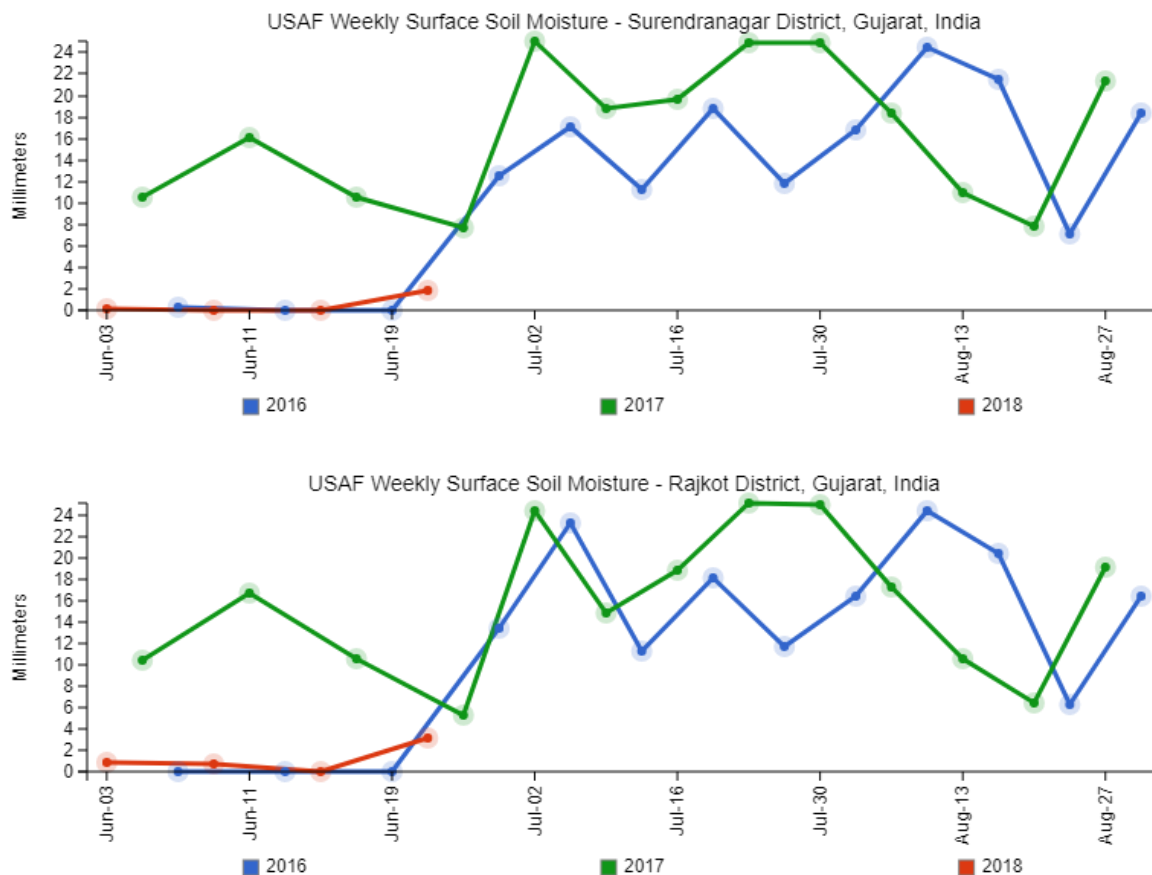
According to IMD rainfall data, the cumulative rainfall to date is 167.4 mm and the long-period average is 180.7 mm. For more details, refer to [IMD Press Release](#).

CAB Lowers MY 2017/18 Production

On June 16, the CAB released a revised MY 2017/18 production estimate of 29 million 480 lb. bales (37.0 million 170 kg bales/6.3 MMT). The FAS India estimate for MY 2017/18 production is 29 million 480 lb. bales (37.0 million 170 kg bales/6.3 MMT), also. The higher pace of cotton arrivals seems to indicate that production is much higher than last year.

2017/18 Crop Arrivals Ahead of Last Year

On June 27, MY 2017/18 cotton arrivals, as reported by the Cotton Corporation of India (CCI), reached 26.44 million 480 lb. bales (33.87 million 170 kg bales/5.75 mmt). For MY 2017/18, total arrivals as a percentage of the total CAB production estimate were 91.5 percent as of June 27, 2018. Additionally, the pace of cotton arrivals in MY 2017/18 through June 27 was 4 percent higher than the previous year.



Source: USDA/FAS GADAS

Table 1: India's Kharif 2018 Cotton Sowing Position (area in hectares)

State	2018/19 as of June 29, 2018	2017/18 as of June 29, 2017	Normal Area**	Y-o-Y Change	Change from Normal
Andhra Pradesh	46,000	145,100	103,500	-68%	-56%
Telangana	578,000	881,000	738,600	-34%	-22%
Gujarat	242,000	496,000	686,800	-51%	-65%
Haryana	665,000	630,000	566,600	6%	17%
Karnataka	194,000	131,000	212,000	48%	-8%
Madhya Pradesh	157,000	303,900	339,400	-48%	-54%
Maharashtra	626,000	1,243,000	1,153,700	-50%	-46%
Odisha	2,400	2,200	24,700	9%	-90%
Punjab	284,000	382,000	418,200	-26%	-32%
Rajasthan	405,000	362,000	284,000	12%	43%
Tamil Nadu	3,200	5,200	10,300	-38%	-69%
Others	17,200	28,600	23,100	-40%	-26%

All India	3,219,800	4,610,000	4,560,900	-30%	-29%
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Source: Ministry of Agriculture and Farmers Welfare, Government of India,

** Normal Area is the five-year average during 2013 through 2017

Table 2: India's State-wise Progressive Arrivals as of June 27, 2018 (in 170 kg bales)

States	2016/17	2017/18	Difference
Punjab	880,400	937,850	6.53%
Haryana	1,915,100	2,320,000	21.14%
Rajasthan	1,679,800	2,286,900	36.14%
North	4,475,300	5,544,750	23.90%
Gujarat	8,197,300	8,575,490	4.61%
Maharashtra	8,731,900	8,234,200	-5.70%
Madhya Pradesh	2,086,800	2,075,000	-0.57%
Central	19,016,000	18,884,690	-0.69%
Andhra Pradesh	1,847,400	1,844,500	-0.16%
Telangana	4,661,600	4,995,800	7.17%
Karnataka	1,732,300	1,800,500	3.94%
Tamil Nadu	416,950	350,000	-16.06%
South	8,658,250	8,990,800	3.84%
Orissa	300,000	350,000	16.67%
Others	161,450	100,000	-38.06%
Total	32,611,000	33,870,240	3.86%
CAB Production Estimate	34,500,000	37,000,000	
Arrivals as % of Prod. Est.	94.5%	91.5%	

Source: Cotton Corporation of India

Consumption:

Post forecasts MY 2018/19 consumption at 25 million 480 lb. bales (32 million 170 kg bales/5.44 mmt) which is 200,000 480 lb. bales lower than the USDA official forecast.

Trade sources indicate higher consumption compared to last year as demand for cotton yarn for export markets improved. Indian cotton prices remain one of the cheapest in the world and mills report ample fiber supplies (domestic and imported cotton) to cater to both domestic and export market customers.

Trade:

FAS India forecasts MY 2018/19 exports at 4.2 million 480 lb. bales (5.4 million 170 kg bales/ 914,442 MT). Export prospects for MY 2018/19 softened, as global demand for cotton from alternate origins is much higher. Even though India ex-gin prices are cheaper than the Cotlook A Index and a weaker rupee should encourage exports, demand has been, instead, for Indian cotton yarn exports.

The Post MY 2018/19 import forecast at 1.6 million 480 lb. bales (2 million 170 kg bales/ 348,359 MT) is higher than the USDA official forecast. Post anticipates imports to remain strong as mills import for

processing and re-export as yarn or fabric to cover various external commitments.

For MY 2017/18, Post revised the export estimate higher than the USDA official estimate to 4.9 million 480 lb. bales (6.3 million 170 kg bales/1 MMT) due to the weakening of the Indian currency. The exchange rate is now at historical lows and is leading to strong shipment orders being booked for the next two months. MY 2017/18 imports have been revised lower to 1.7 million 480 lb. bales. (2.2 million 170 kg bales/370,000 MT) so as to meet export commitments.

Post revised the MY 2016/17 export number based on updated data issued by the Ministry of Commerce and Industry, Government of India

Policy:

Effective July 1, 2018, India along with Bangladesh, China, Laos PDR, the Republic of Korea, and Sri Lanka implemented the exchange of tariff concessions for trade expansion under the Asia Pacific Trade Agreement (APTA) (formerly Bangkok Agreement). APTA is an initiative under the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and is a preferential trade agreement. India's general concessions include a number of woven fabric products (HS Code 5208). For more details refer [PIB Press Release](#).

Table 3a. India: Estimate of 2016/17 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	67,069	11,402	52,368
September Exports 1\	66,389	11,286	51,837
October Exports 1\	51,351	8,730	40,095
November Exports 1\	619,215	105,267	483,486
December Exports 1\	1,098,171	186,689	857,456
January Exports 1\	1,088,024	184,964	849,534
February Exports 1\	780,866	132,747	609,703
March Exports 1\	702,449	119,416	548,475
April Exports 1\	442,278	75,187	345,332
May Exports 1\	446,694	75,938	348,780
June Exports 1\	293,435	49,884	229,115
July Exports 1\	133,018	22,613	103,861
Total Aug-Jul	5,788,959	984,123	4,520,041

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 3b. India: Estimate of 2017/18 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	86,664	14,733	67,667
September Exports 1\	78,476	13,341	61,274
October Exports 1\	67,155	11,416	52,435
November Exports 1\	547,000	92,990	427,100
December Exports 1\	1,030,687	175,217	804,764
January Exports 1\	934,086	158,795	729,338
February Exports 1\	829,403	140,999	647,601
March Exports 1\	887,481	150,872	692,948
April Exports 1\	823,212	139,946	642,767
May Exports 2\	590,000	100,300	460,674
Preliminary Total (Aug-May)	5,874,164	998,608	4,586,570

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis

Table 4a. India: Estimate of 2016/17 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	452,847	76,984	353,585
September Imports 1\	812,071	138,052	634,068
October Imports 1\	379,741	64,556	296,503
November Imports 1\	162,424	27,612	126,821
December Imports 1\	109,000	18,530	85,108
January Imports 1\	71,247	12,112	55,630
February Imports 1\	74,918	12,736	58,496
March Imports 1\	137,000	23,290	106,970
April Imports 1\	160,459	27,278	125,287
May Imports 1\	312,576	53,138	244,061
June Imports 1\	444,529	75,570	347,090
July Imports 1\	387,071	65,802	302,226
Preliminary Total	3,503,882	595,660	2,735,845

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 4b. India: Estimate of 2017/18 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	438,406	74,529	342,309
September Imports 1\	416,553	70,814	325,246
October Imports 1\	85,606	14,553	66,841
November Imports 1\	46,761	7,949	36,511
December Imports 1\	59,806	10,167	46,697
January Imports 1\	72,186	12,272	56,363
February Imports 1\	99,149	16,855	77,416
March Imports 1\	118,180	20,091	92,276
April Imports 1\	212,332	36,096	165,790
May Imports 2\	199,000	33,830	155,380
Preliminary Total	1,747,979	297,156	1,364,829

1\ Official total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ FAS Analysis